

# Market Update



## Human Capital Management Services Q1 2019

## Market Insights

Strong secular and cyclical forces continued to impact the human capital management services sector in the first quarter of 2019. U.S. unemployment reached 3.8% in March as a result of long-term economic expansion in the U.S., which resumed momentum after threatening to pause in the fourth quarter of 2018. Workforce participation, however, has still not re-attained its pre-Great Recession levels as a result of demographic and skills deficiency factors. While the tight labor market has provided strong demand for human capital management services providers, the short supply of workers has made it difficult for staffing companies, which have seen some amount of multiple compression in the last 12 months as growth has been more difficult for these companies to achieve. However, demand for staffing companies that have access to specifically-skilled talent pools in technology, technical services, healthcare, legal, telecom, finance and accounting remained in demand by strategic and financial buyers alike during the quarter. Strong demand also continues to exist for providers of analytics and assessment solutions that help employers to find and retain valued human capital. Investor demand for cloud-based human capital management solutions and, increasingly, AI-powered automated recruiting solutions, remains extremely high. Similarly, demand by buyers for human capital consulting and outsourcing businesses remains elevated as companies continue to need assistance in architecting and executing human capital strategies as well as with the implementation of benefits and other workforce solutions in an increasingly demanding regulatory environment.

# Lincoln's Recent Human Capital Management Services Transactions

<p>THE DLC GROUP a portfolio company of</p>  <p>has been sold to</p> <p>Addison Group a portfolio company of</p>  <p>Sell-Side</p> 	<p>MTHREE CONSULTING</p>  <p>has been sold to</p> <p>eci building successful businesses</p>  <p>Sell-Side</p> 	<p>data strategy a subsidiary of</p>  <p>CENTURY TECHNOLOGY GROUP has merged with</p> <p>TRACE3 a portfolio company of</p>  <p>Sell-Side</p> 	<p>founding shareholders have sold</p>  <p>to</p>  <p>Sell-Side</p> 	<p>NONANTUM CAPITAL PARTNERS</p>  <p>has acquired</p>  <p>Senior Credit Facilities</p> 	<p>GRIDIRON CAPITAL</p>  <p>has sold</p> <p>E<sup>2</sup>E Group</p>  <p>to</p> <p>COMVEST PARTNERS</p>  <p>Sell-Side</p> 
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## Lincoln International's Human Capital Management Services Sector

Lincoln International recognizes the importance of understanding a client's industry, value drivers, growth opportunities and challenges. Our extensive expertise provides in-depth market insights, deep relationships with the most active strategic and financial partners and superior knowledge on how to best position a business and overcome potential issues. These attributes, combined with our globally integrated resources and flawless execution, enable us to consistently deliver outstanding outcomes for our clients.

Lincoln International's dedicated human capital management services team has established itself among the most active M&A advisors in

the mid-market. Our senior bankers provide sector-specific expertise, global buyer access and unmatched execution within the human capital management services space. This update tracks pricing and valuation metrics and transaction activity for five key human capital management services subsectors:

- HR outsourcing
- HR professional and training
- HR technology
- Specialty consulting
- Staffing

### Quarter-over-Quarter Price Performance

Outperformers	Change	Underperformers	Change
Workday, Inc.	54.5%	ASGN Incorporated	(3.6%)
Willis Towers Watson Public Limited Company	48.1%	Atos SE	(4.1%)
Navigant Consulting, Inc.	42.4%	Hays plc	(8.0%)
Huron Consulting Group Inc.	39.0%	WageWorks, Inc.	(16.9%)
AMN Healthcare Services, Inc.	36.9%	Conduent Incorporated	(19.0%)

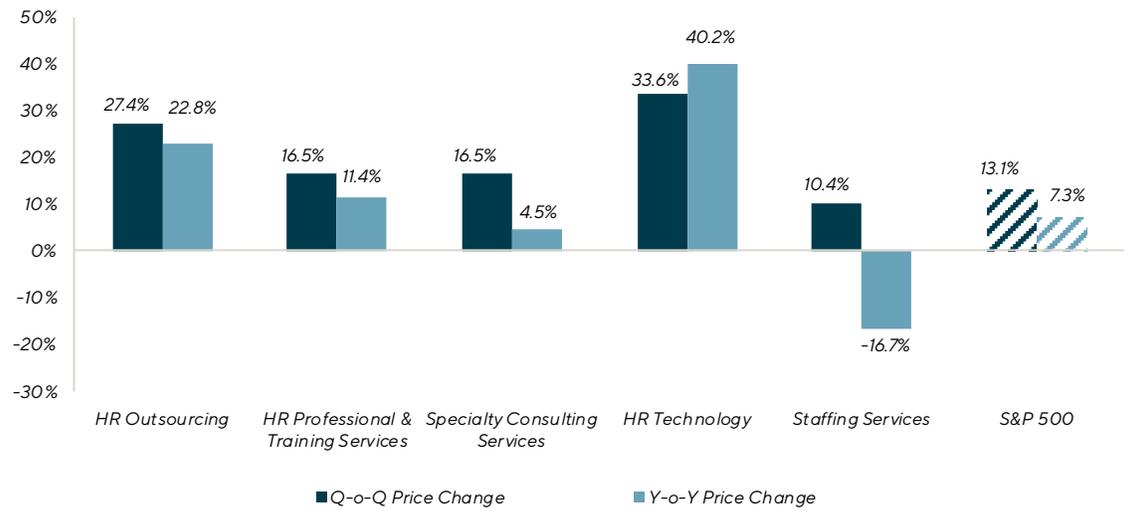
## Highlights

HR professional and training services index outperformed the S&P 500 during Q1 2019

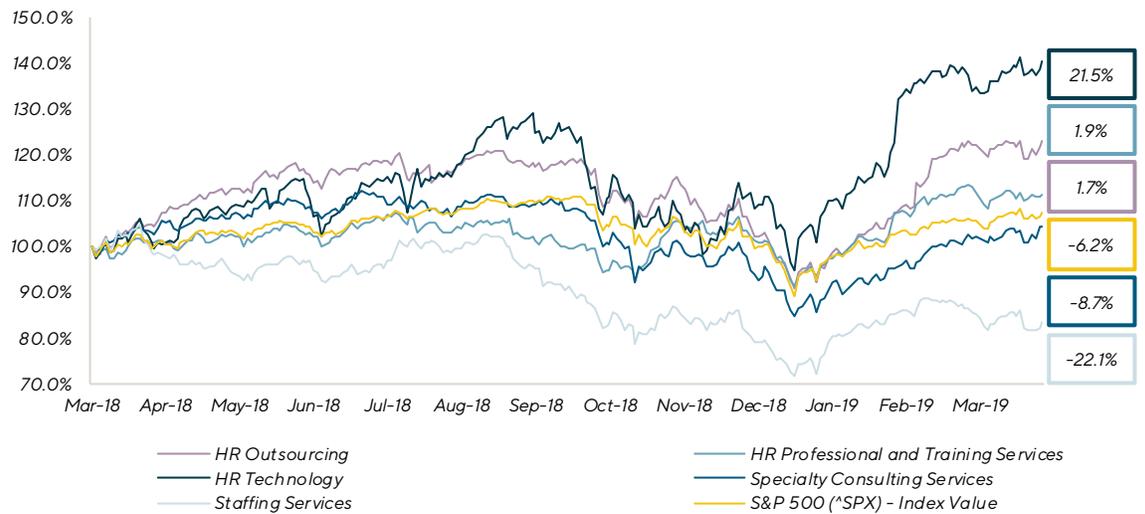
Companies in the HR technology index are trading up an average of 21.5% over the last 12 months

Top stock performers for Q1 2019 included Workday, Inc. and Willis Towers Watson up 54.5% and 48.1%, respectively, since the end of last quarter

## Quarter-over-Quarter & Year over Year Stock Indices Price Change



## LTM Relative Stock Indices Price Performance



## Historical Enterprise Value / LTM EBITDA Valuation Performance



Note: Excludes HR technology services, as companies within that subsector typically trade as a multiple of revenue

# Human Capital Management Services Stock Indices Data

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
<b>HR Outsourcing</b>										
Automatic Data Processing, Inc.	\$159.74	99.9%	\$69,587	\$70,007	\$13,839	\$3,232	8.2%	23.4%	5.1x	21.7x
Barrett Business Services, Inc.	77.33	78.3%	573	541	941	41	2.2%	4.4%	0.6x	13.1x
Capgemini SE	121.32	90.2%	19,502	21,017	13,197	1,686	5.4%	12.8%	1.4x	10.9x
Capita plc	1.61	60.7%	2,675	3,490	3,918	271	(7.5%)	6.9%	0.7x	9.9x
Conduent Incorporated	13.83	59.1%	2,926	3,879	5,393	635	(10.4%)	11.8%	0.7x	6.1x
Insperty, Inc.	123.66	93.3%	5,062	4,819	3,829	205	16.0%	5.4%	1.3x	23.5x
Paychex, Inc.	80.20	99.3%	28,824	28,945	3,641	1,520	9.3%	41.7%	7.9x	19.0x
TriNet Group, Inc.	59.74	93.9%	4,192	4,323	3,503	273	7.0%	7.8%	1.2x	15.8x
<b>Mean</b>		<b>84.3%</b>					<b>3.8%</b>	<b>14.3%</b>	<b>2.4x</b>	<b>15.0x</b>
<b>Median</b>		<b>91.8%</b>					<b>6.2%</b>	<b>9.8%</b>	<b>1.2x</b>	<b>14.5x</b>
<b>HR Professional and Training Services</b>										
Aon plc	\$170.70	98.4%	\$40,968	\$46,543	\$10,770	\$2,889	7.7%	26.8%	4.3x	16.1x
BTS Group AB	18.11	96.0%	347	325	1,598	214	28.6%	13.4%	1.9x	14.1x
Franklin Covey Co.	25.30	84.6%	352	382	219	12	11.0%	5.7%	1.8x	NM
GP Strategies Corporation	12.15	52.8%	201	304	515	26	1.2%	5.1%	0.6x	11.6x
Heidrick & Struggles International, Inc.	38.33	84.6%	728	448	716	83	15.2%	11.5%	0.6x	5.4x
Korn Ferry	44.78	64.9%	2,527	2,261	1,911	285	12.5%	14.9%	1.2x	7.9x
Marsh & McLennan Companies, Inc.	93.90	98.9%	47,660	52,491	14,950	3,470	6.6%	23.2%	3.5x	15.1x
Willis Towers Watson Public Limited Company	175.65	93.5%	22,677	26,393	8,513	1,895	3.8%	22.3%	3.1x	13.9x
<b>Mean</b>		<b>84.2%</b>					<b>10.8%</b>	<b>15.4%</b>	<b>2.1x</b>	<b>12.0x</b>
<b>Median</b>		<b>89.1%</b>					<b>9.4%</b>	<b>14.1%</b>	<b>1.8x</b>	<b>13.9x</b>
<b>HR Technology</b>										
51job, Inc.	\$77.88	67.9%	\$4,819	\$3,821	\$3,740	\$1,246	31.3%	33.3%	7.0x	21.1x
Chegg, Inc.	38.12	91.4%	4,417	4,233	321	18	25.9%	5.7%	13.2x	NM
Cornerstone OnDemand, Inc.	54.78	91.0%	3,238	3,184	538	13	11.6%	2.5%	5.9x	NM
Paycom Software, Inc.	189.13	99.2%	11,059	11,048	566	191	30.8%	33.7%	19.5x	NM
Paylocity Holding Corporation	89.19	96.4%	4,720	4,616	418	44	25.1%	10.4%	11.0x	NM
The Ultimate Software Group, Inc.	330.13	90.2%	10,459	10,309	1,141	123	21.2%	10.8%	9.0x	NM
WageWorks, Inc.	37.76	66.5%	1,505	726	475	98	(0.2%)	20.5%	1.5x	7.4x
Workday, Inc.	192.85	96.4%	42,813	42,239	2,822	(240)	31.7%	(8.5%)	15.0x	NM
<b>Mean</b>		<b>87.4%</b>					<b>22.2%</b>	<b>13.5%</b>	<b>10.3x</b>	<b>14.3x</b>
<b>Median</b>		<b>91.2%</b>					<b>25.5%</b>	<b>10.6%</b>	<b>10.0x</b>	<b>14.3x</b>
<b>Specialty Consulting Services</b>										
Accenture plc	\$176.02	99.2%	\$112,271	\$108,219	\$40,840	\$6,676	8.0%	16.3%	2.6x	16.2x
Altran Technologies S.A.	10.98	71.6%	2,786	4,233	2,916	391	27.8%	13.4%	1.3x	9.6x
Atos SE	96.52	67.5%	10,340	15,838	12,258	1,640	2.2%	13.4%	1.2x	8.6x
Capgemini SE	121.32	90.2%	19,502	21,017	13,197	1,686	5.4%	12.8%	1.4x	10.9x
CRA International, Inc.	50.54	86.0%	407	369	418	39	12.9%	9.3%	0.9x	9.5x
FTI Consulting, Inc.	76.82	93.8%	2,832	2,786	2,028	261	12.2%	12.9%	1.4x	10.7x
Huron Consulting Group Inc.	47.22	82.8%	1,024	1,288	795	92	8.5%	11.5%	1.6x	14.1x
ICF International, Inc.	76.08	92.5%	1,431	1,620	1,338	121	8.9%	9.0%	1.2x	13.4x
Navigant Consulting, Inc.	19.47	71.1%	789	586	673	57	5.6%	8.5%	0.9x	10.3x
<b>Mean</b>		<b>83.9%</b>					<b>10.2%</b>	<b>11.9%</b>	<b>1.4x</b>	<b>11.5x</b>
<b>Median</b>		<b>86.0%</b>					<b>8.5%</b>	<b>12.8%</b>	<b>1.3x</b>	<b>10.7x</b>
<b>Staffing Services</b>										
Adecco Group AG	\$53.35	75.6%	\$8,848	\$10,129	\$23,867	\$1,135	0.9%	4.8%	0.4x	7.3x
AMN Healthcare Services, Inc.	47.09	69.0%	2,207	2,634	2,136	254	7.4%	11.9%	1.2x	10.4x
ASGN Incorporated	63.49	67.4%	3,343	4,402	3,400	372	29.5%	10.9%	1.3x	11.8x
Cross Country Healthcare, Inc.	7.03	54.5%	254	322	816	27	(5.6%)	3.3%	0.4x	11.9x
Hays plc	1.95	70.3%	2,846	2,804	5,960	265	9.8%	4.4%	0.4x	8.1x
Kelly Services, Inc.	22.06	68.3%	862	829	5,514	114	2.6%	2.1%	0.2x	7.0x
Kforce Inc.	35.12	80.7%	863	937	1,418	88	4.4%	6.2%	0.7x	10.6x
ManpowerGroup Inc.	82.69	69.1%	4,965	5,522	21,991	918	4.5%	4.2%	0.3x	6.0x
PageGroup plc	6.12	74.9%	1,926	1,799	1,550	155	13.0%	10.0%	0.9x	8.9x
Randstad NV	48.79	76.5%	8,933	10,383	23,812	1,082	2.3%	4.5%	0.4x	8.5x
Resources Connection, Inc.	16.54	84.8%	525	542	731	68	18.0%	9.3%	0.7x	8.6x
Robert Half International Inc.	65.16	81.5%	7,626	7,350	5,800	653	10.1%	11.3%	1.3x	11.3x
TrueBlue, Inc.	23.64	79.2%	916	949	2,499	122	(0.4%)	4.9%	0.4x	7.8x
<b>Mean</b>		<b>73.2%</b>					<b>7.4%</b>	<b>6.8%</b>	<b>0.6x</b>	<b>9.1x</b>
<b>Median</b>		<b>74.9%</b>					<b>4.5%</b>	<b>4.9%</b>	<b>0.4x</b>	<b>8.6x</b>
<b>Total Mean</b>		<b>81.6%</b>					<b>10.5%</b>	<b>11.7%</b>	<b>3.0x</b>	<b>17.4x</b>
<b>Total Median</b>		<b>83.7%</b>					<b>8.4%</b>	<b>10.6%</b>	<b>1.3x</b>	<b>10.8x</b>

Sources: Bloomberg, Capital IQ and company filings, as of 3/31/19

## Transaction Spotlight

1/18/2019: **The DLC**

**Group**, a portfolio company of **Gryphon Investors**, has been acquired by **Addison Group**, a portfolio company of **Odyssey Investment Partners**. DLC is a leading provider of comprehensive finance and accounting, consulting and staffing solutions.

DLC's geographic footprint and niche F&A specialty will allow Addison Group to strengthen its capabilities within both the F&A staffing sector, as well as the consulting space via Addison Group's existing partnership with Bridgepoint Consulting.

## Market Intelligence

**01/15/2019:** The human capital management market (general services and software) is expected to grow 7.6% annually from 2019-2025, led by several driving factors: (i) steady demand for cloud storage of critical information at cheap rates, enabling central administration to control resources and HR activities, (ii) growing demand for automated recruitment processes and (iii) increasing desire for unified solutions for all HR functions. (MarketWatch)

**02/12/2019:** Investment banks better known for big trades and megamergers are broadening their service offering into HR services, including employee benefit management. These solutions offer sticky, predictable revenue, which is attractive to shareholders and executives.

Morgan Stanley acquired Solium Capital, which manages employee stock awards for 3,000 companies. Goldman Sachs Group is building a wealth-management tool that it plans to pitch to corporate HR managers in the next year or so. (The Wall Street Journal)

**03/07/2019:** Aon has decided not to pursue a potential \$24 billion merger with Willis Tower Watson. The two companies held preliminary discussions and Aon was preparing to submit a formal offer in late March, but decided to abandon the merger under concerns surrounding Irish regulations, to which Willis Tower Watson is subject.

**03/17/2019:** Alternative labor is spreading beyond the IT function to encompass a much broader array of functions, including operations, marketing, research and development and customer service. In addition, talent networks have become increasingly focused on specific segments of the workforce, such as working parents or active military and veterans (i.e. The Mom Project, The Second Shift, WeGoLook, etc.). These types of talent networks now manage over \$2 billion in outsourced activity. (Deloitte)

## Selected M&A Transaction Recap

Closed	Target Company	Target Description	Acquiring Company
Announced	The Ultimate Software Group	Cloud-based human capital management solutions	Hellman & Friedman
Announced	ValuD Consulting	Real estate and financial management strategy, implementation and training solutions	Jones Lang LaSalle
Announced	BlueLine Associates	IT consulting, staffing and managed services	ThreeBridge Solutions
Mar-19	Newbury Consulting Group	IT consulting services related to human capital management	Evolutionary Systems
Mar-19	Seville Staffing	Temporary staffing services	Intermountain Staffing
Mar-19	Universal Background Screening	Background screening solutions	PeopleFacts
Mar-19	Employee Benefits Group	Employee benefits brokerage and consulting services	Marsh & McLennan
Feb-19	Polaris Assessment Systems	Employment testing systems for recruitment purposes	BTS Group
Feb-19	Foodtemps	Temporary and full-time staffing solutions for the hospitality industry	Hospitality Staffing Solutions
Feb-19	Alliance of Computer Professionals	IT staffing services	DIVERSANT
Feb-19	USA Drivers	Staffing and placement of commercial driver's license (CDL) truck drivers	TransForce
Feb-19	Fulcrum IT Services	IT solutions and human capital consulting	Huntington Ingalls Industries
Feb-19	TalentRISE	Executive search, recruitment outsourcing and consulting services	Aleron Group
Feb-19	Onyx Healthcare	Healthcare staffing services	Health Carousel
Feb-19	One Source Payroll	Payroll, time and labor, human resources and ACA compliance services to employers	Inova Payroll
Feb-19	Solium Capital	Provider of software-as-a-service (SaaS) for equity administration, financial reporting and compliance	Morgan Stanley
Feb-19	BioStaff Solutions	Clinical resourcing company that provides recruitment services	PTS Advance
Feb-19	Bamboo Talent	Search firm that recruits technical talent	Riviera Partners
Feb-19	Quantum Management Services	Permanent and temporary recruiting services	Coast Property Management
Jan-19	Publicis Healthcare Solutions	Recruitment services, including direct hire and pharmaceutical contract recruiting	Altamont Capital Partners
Jan-19	Canny Bowen	Recruitment of senior level executives and board members	Coleman Lew & Associates
Jan-19	PreCheck	Background screening and credentialing services to healthcare organizations	Cisive
Jan-19	CallBack Staffing Solutions	Develops software solutions for employee resourcing and human capital management	Vector Solutions
Jan-19	Cherry Creek Benefits	Human resource consulting services	OneDigital Health and Benefits
Jan-19	DLC Group	Comprehensive finance and accounting, consulting and staffing solutions	Addison Group
Jan-19	Montu Enterprises	Temporary staffing services	SEEK Careers & Staffing
Jan-19	Worksteady (d/b/a Silversheet)	Provides tools for healthcare professionals to manage their workflow and credentials	AMN Healthcare Services
Jan-19	DHA Group	Information technology and management consulting services	ECS Federal
Jan-19	Knowledgent Group	Management consulting and information technology services	Accenture
Jan-19	Kelly Legal Managed Services	Legal staffing and other business services for law firms	Trustpoint.One
Jan-19	Global Technology Associates / NextGen Global Resources	Staffing and consulting solutions to the telecommunications industry	Kelly Services
Jan-19	Cielo	Recruitment process outsourcing and talent acquisition and management solutions	Permira Advisers
Jan-19	Qualtrics International	Experience management solutions to manage customer, employee, brand and product experiences	SAP America

Source: CapIQ, Mergermarket, company filings and Business Wire, as of 3/31/2019



# Lincoln's Business Services Group

## Committed to Serving Our Clients

We are immersed in the constantly evolving, rapidly growing service-based economy. Our breadth of transactional, operational and technical experience enables us to intuitively communicate the underlying dynamics in key subsectors and generate excellent outcomes for our clients' individual needs.

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## Advisory Services

Mergers & Acquisitions  
Capital Advisory  
Joint Ventures & Partnering  
Valuations & Opinions

## About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and public and privately held companies around the world. Our advisory services include mergers and acquisitions and capital markets advisory for the mid-market. We also provide valuations and fairness opinions and joint ventures advisory services. As one tightly integrated team of more than 500 professionals across 15 countries, we offer an unobstructed perspective, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at:

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